



BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

Minutes of September 21, 2021 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 4:00 p.m. on Tuesday, September 21, 2021, in the 35th Floor Conference Room, Office of Budget and Management (OBM), James A. Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, pursuant to notice of meeting given by the Secretary of the Authority pursuant to Section 4.2 of its Bylaws.

*[Copies of the items marked * are attached hereto and made a part of these minutes.]*

The Chair called the meeting to order.

On behalf of the Secretary, Michael Babin, Assistant Secretary, reported that a new designation had been filed since the last meeting of the Authority. Governor DeWine designated Sarah Ackman to serve as Chair of the Authority in his absence.

Pursuant to Section 183.52 of the Revised Code and Section 3.1 of the Bylaws, Ms. Ackman presided as Chair of the meeting. Upon roll call, the Chair declared a quorum to be present. The following designees of members of the Authority, eligible to vote at the meeting, were present:

Sarah Ackman, Office of the Governor

Kimberly Murnieks, Office of Budget and Management

Lisa Eisenberg, Office of the Treasurer of State

The Assistant Secretary filed the certificate of compliance* with the public meeting notice provisions of Section 121.22 of the Revised Code and requirements of the Authority in Article 4 of the Bylaws.

Ms. Ackman requested approval of the April 21, 2021 meeting minutes. Ms. Murnieks moved for approval, seconded by Ms. Eisenberg. There being no further discussion, the motion was approved upon roll call as follows: Ayes — Ackman, Murnieks, and Eisenberg; Nays — None. The Chair declared the motion passed.

At the invitation of the Chair, Jennifer Croskey, Office of the Ohio Attorney General, then provided an update on the status of arbitration relating from the 1998 Master Settlement Agreement (MSA). After providing a brief background of the MSA ongoing annual settlement payments, Ms. Croskey briefly explained the tobacco settlement Disputed Payment Account (DPA).

Ms. Croskey then explained the arbitration process in determining whether a settling state has diligently enforced its qualifying statute and reported that the arbitration panel found Ohio to have been diligent in its enforcement, as it related the NPM Adjustment for sales year 2004. As a result of this decision, Ohio is calculated to receive approximately \$35 million along with accrued interest from the DPA. She indicated the specific details are uncertain at this time but will be forthcoming when available.

Finally, Ms. Croskey concluded her presentation by reporting that a new arbitration panel has been selected regarding diligent enforcement for the 2005-2007 NPM Adjustments. She relayed that parties to that arbitration are currently in the discovery process, and that the Attorney


General's Office anticipates that, although no hearings are currently scheduled, a common case hearing is likely to begin in the summer of 2022, followed by individual state hearings.

Next, the Chair invited Diane Chime, Chief of Capital Markets at the Office of Budget and Management, presented on the Fiscal Year 2020 audit process and results. Ms. Chime began by relaying that U.S. Bank, trustee for the Bonds, OBM staff, as well as staff from the Treasurer of State's Office collectively provided pertinent reports and documents to the selected compiler, and the final audit was completed in October 2020. The Independent Public Accountant's (IPA) final report was accepted by the Ohio Auditor of State and certified for release on December 8, 2020. The FY 2020 financial statements were found to fairly present, in all material respects, the financial position of the Authority in accordance with Generally Accepted Accounting Principles. The audit opinion was 'unqualified' and the audit did not identify any material weaknesses or significant deficiencies in internal controls or any instances of noncompliance with material laws and regulations. The Chair asked if there were any questions on the presentation, and there were none.

Ms. Chime then presented the Authority's operating budget for FY 2021* and its operating budget for FY 2022.* She reviewed the FY 2021 expenses, noting that the actual amount expended for operations was fifty-nine percent below the initial projection. Estimated costs for financial statement preparation and compilation as well as fees for legal and financial advisory services were the main budgeted categories that contributed to FY 2021 coming in under budget.

Finally, the proposed FY 2022 budget was reviewed, noting that it includes typical expense of the Authority for a total set budget of \$93,975. Ms. Chime explained that the fees and costs that came in under budget for FY 2021 contributed to a smaller amount budgeted for FY 2022 in these categories. Other refinements were made to the FY 2022 operating budget to align estimates with contracted agreements. Following the presentation, the Chair asked if there were any questions, and there were none. The Chair thanked Ms. Chime for her detailed presentation on the matters.

There being no further business, the meeting was adjourned.



Kimberly Murnieks, Secretary
Buckeye Tobacco Settlement Financing Authority



BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

**CERTIFICATION REGARDING NOTIFICATION OF MEETING
TO THE PUBLIC AND NEWS MEDIA**

The undersigned, Assistant Secretary of the Buckeye Tobacco Settlement Financing Authority, hereby certifies that the notice of the time, place and purposes of the meeting of the Authority of September 13, 2022 at 3:30 p.m. was posted on Thursday, September 7, 2021 in the State House press room, the Office of Budget and Management (OBM) (34th Floor, 30 East Broad Street), and on the OBM website, in accordance Section 121.22 of the Revised Code and the Open Meetings Rule for notification of meetings to the public and news media adopted by the Authority July 2, 2007.

Dated: September 13, 2022

Michael W. Babin
Assistant Secretary of the
Buckeye Tobacco Settlement Financing Authority



DAVE YOST

OHIO ATTORNEY GENERAL

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MEMORANDUM

To: Buckeye Tobacco Settlement Finance Authority

From: Jennifer S. M. Croskey, Tobacco Counsel, Antitrust Section

Date: September 20, 2021

Subject: 2021 Report from Tobacco Counsel to the Attorney General

In April, we received Ohio's portion of the tobacco master settlement agreement (MSA) payment, which was \$306,287,762.79. A small portion of that payment was unsold tobacco receipts—CITA is still paying under its 2003 forbearance agreement, which was \$125,937.75.

The tobacco payment may be reduced when the tobacco companies that are parties to the MSA lose market share to tobacco companies that are not parties to the MSA. That reduction is referred to as the NPM Adjustment. A tobacco company may choose to (1) pay the NPM Adjustment subject to money being returned with interest by the states, (2) withhold the NPM Adjustment subject to paying the money later with interest, or (3) pay the NPM Adjustment to the Disputed Payments Account. PwC calculates the NPM Adjustment on a nationwide basis and then allocates it to each state. A state is not subject to the Adjustment and will receive its allocable share of the Adjustment if it had a Qualifying Statute (laws requiring tobacco companies that are not parties to the MSA to pay escrow on all cigarettes bearing a tax stamp) and diligently enforced that statute. Whether a state has diligently enforced its escrow law is determined in a multistate arbitration. States that are not found not diligent must share the burden of the entire nationwide NPM Adjustment.

For two years, I have reported that we were at the end of an arbitration regarding diligent enforcement relating to the 2004 NPM Adjustment and that I anticipated a ruling by the end of the year. Two times, I was wrong, but we finally received an award on September 1. The arbitrating states presented a common case hearing in June 2017. Ohio's state specific hearing was in March 2018. The last state to present its case was Missouri, which closed its record in July 2019. Unfortunately, the Honorable James Robertson passed in September 2019 prior to the release of final awards to the states. PwC calculates that there is about \$35 million in the Disputed Payment Account allocated to Ohio for the 2004 NPM Adjustment, not including earnings.

The arbitration panel found Ohio diligent for 2004, the State will get its portion of the NPM Adjustment, which are not securitized funds. Also, Ohio is not be responsible for any part of the NPM Adjustment.

2021 Report from Tobacco Counsel to the Attorney General

A panel of former federal judges have been selected for the next arbitration which involves diligent enforcement relating to the NPM Adjustment for 2005 through 2007. The parties are in the discovery process for this arbitration. We anticipate a common case hearing next summer followed by individual state hearings, although no hearings are currently scheduled.

Buckeye Tobacco Settlement Financing Authority
Fiscal Year 2021 Operating Expenditures (Budget vs Actuals)

Service or Activity	Total by Category	Budgeted Line Amount	Amounts Paid	Variance
Rating Agency Fees	\$20,000.00			
S&P Annual Surveillance		\$20,000.00	\$20,000.00	\$0.00
Trustee Services - US Bank	\$3,500.00			
Annual Trustee Fee		\$3,500.00	\$3,500.00	\$0.00
Financial Statement Preparation	\$25,000.00			
REA & Associates		\$25,000.00	\$9,500.00	\$15,500.00
Financial Statement Audit	\$35,830.00			
KCR on behalf of AOS		\$34,830.00	\$34,830.00	\$0.00
Auditor of State		\$1,000.00	\$1,260.00	(\$260.00)
Financial Advisor	\$25,000.00			
Public Financial Management		\$25,000.00	\$0.00	\$25,000.00
Continuing Legal, Disclosure & Reporting	\$20,000.00			
Legal Services - Squire		\$20,000.00	\$590.00	\$19,410.00
Contingency /Other	\$40,235.00			
Miscellaneous Expense		\$40,235.00		\$40,235.00
TOTAL:	\$169,565.00	\$169,565.00	\$69,680.00	\$99,885.00

Buckeye Tobacco Settlement Financing Authority
Fiscal Year 2022 Operating Budget

Service or Activity	Total by Category	Budgeted Line Amount	Amounts Paid	Variance
Rating Agency Fees	\$20,000.00			
S&P Annual Surveillance		\$20,000.00		\$20,000.00
Trustee Services - US Bank	\$3,500.00			
Annual Trustee Fee		\$3,500.00		\$3,500.00
Financial Statement Preparation	\$8,300.00			
REA & Associates		\$8,300.00		\$8,300.00
Financial Statement Audit	\$37,175.00			
KCR on behalf of AOS		\$35,875.00		\$35,875.00
Auditor of State		\$1,300.00		\$1,300.00
Financial Advisor	\$10,000.00			
Public Financial Management		\$10,000.00		\$10,000.00
Continuing Legal, Disclosure & Reporting	\$10,000.00			
Legal Services - Squire		\$10,000.00		\$10,000.00
Contingency /Other	\$5,000.00			
Miscellaneous Expense		\$5,000.00		\$5,000.00
TOTAL:	\$93,975.00	\$93,975.00	\$0.00	\$93,975.00